

Overview

Plans Approved	31-December-23		N\$ Value YTD		N\$ Change	% Change
	Number	Value (N\$ m)	2022	2023	YTD	YTD
Additions	75	39.4	886.7	702.3	(184.4)	-20.8%
Commercial & Industrial	3	1.4	162.9	326.6	163.7	100.5%
Flats & Houses	16	37.0	704.1	463.7	(240.4)	-34.1%
Total	94	77.8	1,753.6	1,492.6	(261.0)	-14.9%

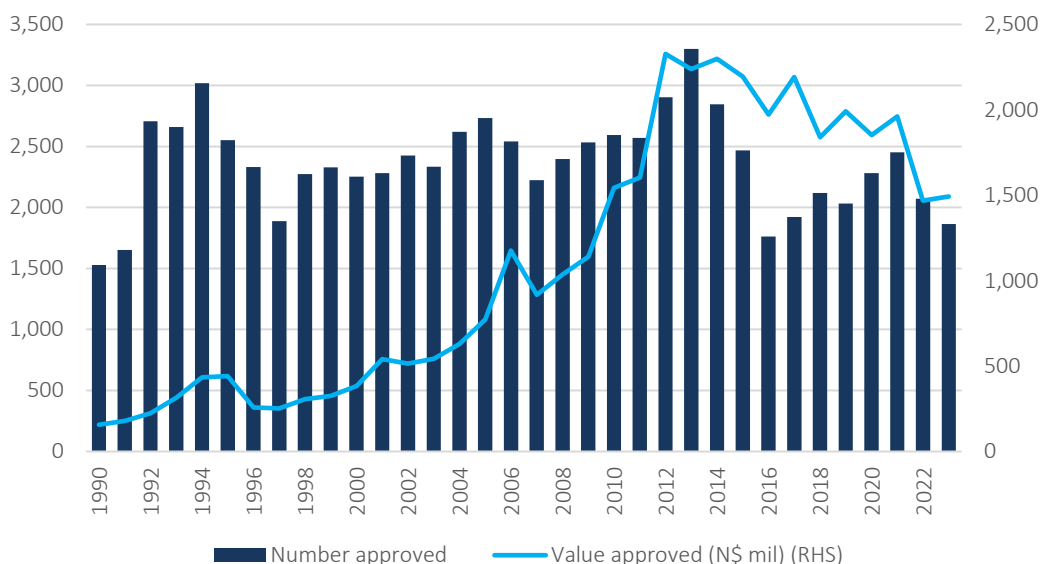
Plans Completed						
Additions	7	9.3	140.6	117.4	(23.2)	-16.5%
Commercial & Industrial	3	27.0	109.3	161.6	52.3	47.9%
Flats & Houses	12	12.2	403.4	405.5	2.1	0.5%
Total	22	48.5	653.2	684.5	31.3	4.8%

Source: City of Windhoek, IJG Securities

The pipeline for construction activity in Windhoek remains weak. A total of 94 buildings plans were approved in December, 33.3% m/m less than the number of plans approved in November and translates to a 14.5% y/y decrease in the number of approvals. This brings the cumulative number of building plans approved to 1,864 in 2023, the lowest number of approvals since 2016. Although the number of approvals fell, the value of approvals increased marginally by 1.6% y/y in 2023 to a cumulative amount of N\$1.49 billion, compared to N\$1.47 billion in 2022. In December, N\$77.77 million worth of building plans were approved, 59.9% y/y higher than the N\$48.64 million in December 2022.

Indeed, planned construction activity in Windhoek is lower than previous years, as the chart below indicates. The number of applications submitted to the City of Windhoek decreased by 20.0% y/y in 2023, from 2,998 applications received in 2022 to 2,397 applications in 2023.

Annual Building Plan Approvals



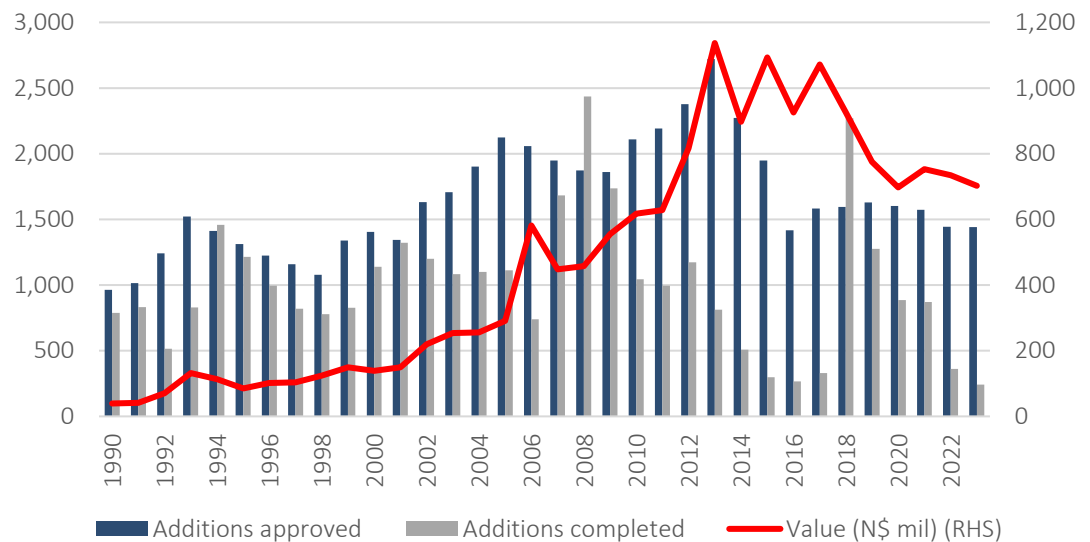
Source: City of Windhoek, IJG Securities

Additions to Properties

75 additions to properties in Windhoek were approved in December, worth N\$39.45 million in value. There has been a shift in demand for additions in recent years, rather than new standalone

buildings, indicative of the financial pressures in the Namibian economy amongst individuals and businesses. In contrast, the number of additions approved decreased by 0.3% y/y in 2023. Although the pipeline for additions has remained steady since 2016, the number of additions completed have steeply declined since its peak in 2018. 241 additions were completed in 2023, 33.2% lower than the 361 additions completed in 2022, which was already 58.5% lower than in 2021.

Annual Additions to Properties Approved



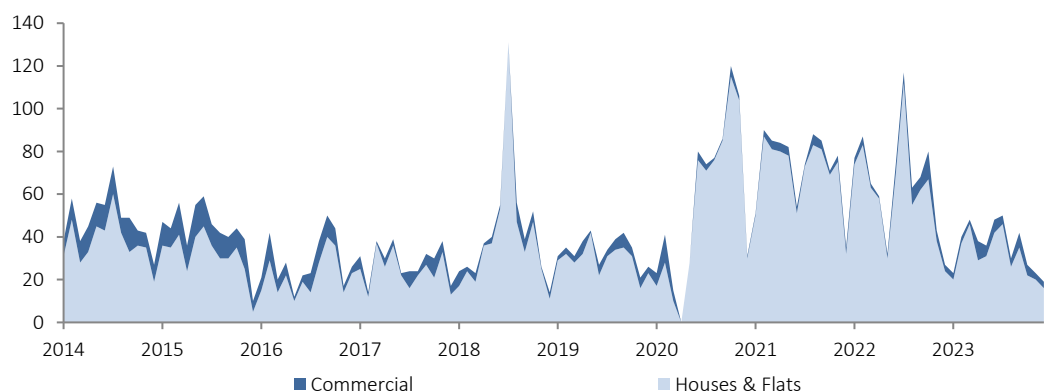
Source: City of Windhoek, IJG Securities

Residential, Commercial and Industrial Units

The outlook for construction of large buildings has been subdued in 2023. 16 residential units (N\$36.97 million) were approved in December, translating to 370 residential buildings (N\$463.7 million) plans approved in 2023, 30.6% less than the 493 approved in 2022. Concerningly, only 12 residential units were completed in December, the lowest number of completions for the year and the lowest since April 2020.

At the same time, only 3 commercial and industrial buildings (N\$1.35 million) were approved in December, bringing the cumulative total for the year to 54 units (N\$326.6 million). In contrast, 3 commercial and industrial buildings (N\$27.0 million) were completed in December, bringing the total number completed to a meagre 19 in 2023 (N\$161.6 million).

Number of Residential, Commercial and Industrial Plans Approved

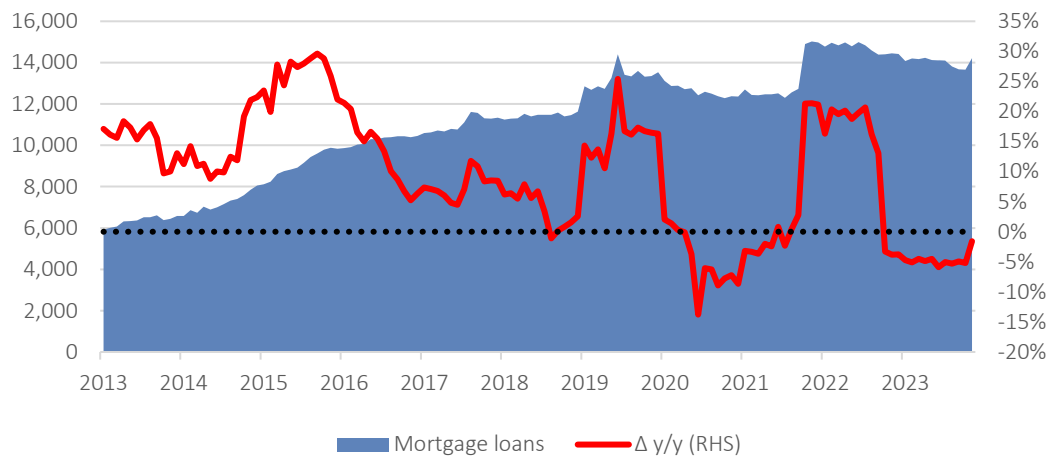


Source: City of Windhoek, IJG Securities

The Bottom Line

Given the poor performance mentioned above, the outlook for the construction sector in Windhoek remains bleak. Private sector mortgage credit extension has been trending in negative growth figure since 2H22, making mortgage loan holders net repayors of their mortgage loans. We can expect this trend to continue under the assumption that the Bank of Namibia (BoN) will only cut rates later in 2H24.

Cumulative Value of Mortgage Credit Outstanding (N\$ m)

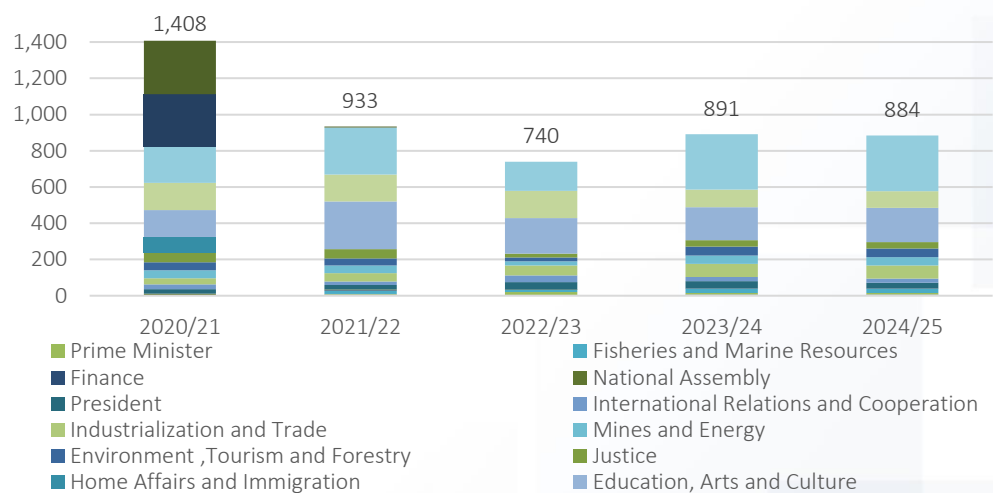


Source: Bank of Namibia, IJG Securities

In contrast, the government remains a pivotal player in the construction sector, especially on a national level, spearheading projects like the Oshakati water treatment plant, Rundu water treatment plant, and Ohangwena plant and water supply system, all anticipated for completion in 2024. The government-sponsored initiatives include the Namfisa head office (N\$250 million) and the AfDB-funded (N\$3.7 billion) railway upgrades between Walvis Bay and Kranzberg, with an extension to Otjiwarongo. The government's construction expenditure for 2024/25 is projected to reach N\$993 million.

In a collaborative effort, the Otjiwarongo Municipality is engaging the private sector through a Public-Private Partnership (PPP) to invest N\$45 million in a sustainable water and sanitation infrastructure project. This initiative, scheduled for implementation in 2025, aims to stimulate economic growth, enhance water security, and contribute to a circular economy. The anticipated impact includes job creation, regional development, and a positive influence on the construction sector.

Government Expenditure on Construction by Vote (N\$ million)



Source: Ministry of Finance, IJG Securities

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